Global Poverty & Inequality Dynamics Research Network

Researching structural change & inclusive growth

ESRC GPID Research Network Briefing Paper 6

IMMISERISING GROWTH

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SUMMARY

There is an empirical association between economic growth and poverty reduction, which is the source of the widely held narrative that 'Growth is Good for the Poor'. Yet, there are cases where growth does not translate into poverty reduction. Such episodes of 'immiserizing growth' occur when growth makes the poor worse off, or results in little or no benefits for the poor. This brief argues that this phenomenon matters empirically, analytically, and in terms of policy.





About the GPID research network:

The ESRC Global Poverty and Inequality Dynamics (GPID) research network is an international network of academics, civil society organisations, and policymakers. It was launched in 2017 and is funded by the ESRC's Global Challenges Research Fund.

The objective of the ESRC GPID Research Network is to build a new research programme that focuses on the relationship between structural change and inclusive growth.

See: www.gpidnetwork.org

THE DEVELOPER'S DILEMMA

The ESRC Global Poverty and Inequality Dynamics (GPID) research network is concerned with what we have called 'the developer's dilemma'.

This dilemma is a trade-off between two objectives that developing countries are pursuing. Specifically:

- 1. Economic development via structural transformation and productivity growth based on the intra- and inter-sectoral reallocation of economic activity.
- 2. Inclusive growth which is typically defined as broad-based economic growth benefiting the poorer in society in particular.

Structural transformation, the former has been thought to push up inequality. Whereas the latter, inclusive growth implies a need for steady or even falling inequality to spread the benefits of growth widely. The 'developer's dilemma' is thus a distribution tension at the heart of economic development.

Introduction

Immiserizing Growth (ImG) refers to situations where growth makes the poor worse off, or results in little or no benefits for the poor (it is not being used in the trade theory 'Bhagwati' sense, associated with the effects on GDP growth of shifts in the terms of trade).

It is not a new concept, appearing in the works of Malthus (2004 [1798]), Ricardo (1971 [1821]) and Marx (1975 [1867]), among others. In the contemporary academic literature however, the concept has been sidelined. It has never been systematically studied in a comparative way drawing on diverse theoretical traditions and empirical approaches. This brief and a related ESRC GPID Working Paper on the topic aim to contribute to filling this gap in the literature.

Does It Matter Empirically?

There is indeed an empirical association between economic growth and poverty reduction, which is the source of the widely held narrative that 'Growth is Good for the Poor' (Dollar and Kraay, 2002; Dollar et al., 2013).

Two other findings in this cross-country literature, however, are also important. First, there is considerable variation in the average relationship between growth and poverty reduction, as reflected in very different values of growth elasticities of poverty. Second, there are outliers, or cases where growth does not translate into poverty reduction. Such outliers can account for up to 35% of observed cases, depending on the dataset, and the growth and poverty measures used (Shaffer 2016: 13). Immiserising Growth does matter empirically.

Does It Matter Analytically?

Shifting the analytical lens to ImG is important because it generates research results which are not simply the converse of those in the literature on Inclusive or Pro-Poor Growth. Attention tends to shift to forces of 'active exclusion', as opposed to forces of 'failed inclusion' (Shaffer, 2015). So, instead of focusing on low levels of education, health, assets and credit, for example, analysis shifts to such processes as dispossession from land, discriminatory barriers to entry, the exercise of market and political power, and so on. While the relative importance of these two broad sets of factors is an empirical question, the language has indeed shifted.

In addition, Immiserising Growth is linked in a particular way to the literature on poverty dynamics (Baulch and Hoddinott, 2000) and poverty traps (Bowles et al., 2006, Carter and Barrett, 2006).

Two population groups figure centrally. First, the 'very' chronic poor who find themselves mired in poverty traps with potential intergenerational effect. Here, forms of horizontal inequalities based on ethnicity, caste or gender figure centrally. Second, those who have suffered impoverishment, or descents into long-term poverty due to fundamental changes in living conditions such as dispossession, sickness, loss of employment, crop failure, natural disaster and so forth. Accordingly, ImG tends to focus on a distinct population subset in acute need.

Does it Matter for Policy?

There are two reasons why the shift to Immiserising Growth matters for policy. First, in general, if the determinants of ImG are systematically different than those of Inclusive Growth, the policy responses will differ accordingly. A 'standard' package of human capital, asset building and credit will prove less effective if the binding constraints are due to dispossession, discrimination and power.

Second, it is likely that the population groups mentioned above, the very chronic poor and the impoverished, will figure increasingly centrally to poverty reduction efforts in the context of the so-called 'last mile' in poverty reduction. As the pace and 'ease' of poverty reduction slows, it is likely the range of policy options will have to expand.

Conclusion

Immiserising Growth in our sense has not received its due attention in the contemporary literature on the relationship between growth and poverty. This is odd because it matters empirically, analytically and for policy purposes. The time is ripe for a detailed examination of the concept drawing on a range of theoretical perspectives and methodological approaches.

This brief is based on Shaffer (2017).

Sources

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